Revenue Estimation Steps:

* **Step 1:** Breaking down the total user base into demand for each revenue product line. In this step, we want to gauge the specific demand requirement per market per product for each company.
  + If the user base was split across multiple markets, e.g., Total User Base = Market A (Segment 1.A + Segment 2.A + Segment n.A) + Market B (Segment 1.B + Segment 2.B + Segment n.B), then
    1. For each market, reference the segment and have assumptions on breakdown by product

Example 1:

* + - * **A. For user base total formula:** Total\_User\_Base (million) = Total\_Net\_Users\_London + Total\_Net\_Users\_Dubai + Total\_Net\_Users\_India
      * **A.1 Retrieve breakdown of the first market:** Total\_Net\_Users\_London (million) = Total\_Individual\_Net\_Users\_London + Total\_Business\_Net\_Users\_London
      * **A.2 Retrieve breakdown of the second market:** Total\_Net\_Users\_Dubai (million) = Total\_Individual\_Net\_Users\_Dubai + Total\_Business\_Net\_Users\_Dubai
      * **A.n Retrieve breakdown of the nth market:** Total\_Net\_Users\_India (million) = Total\_Individual\_Net\_Users\_India + Total\_Business\_Net\_Users\_India
      * **B. For each of the markets’ breakdown,** **take assumptions on the adoption per product line,** e.g., if we have 3 product lines including: LLM1 Subscription, LLM2 Subscription, and LLM3 Subscription. List of assumptions on adoption for the segment “total\_individual\_net\_users\_market” should include:

Market\_Share of Users of LLM1 Subscription

Market\_Share of Users of LLM2 Subscription

Market\_Share of Users of LLM3 Subscription

Market\_Share of Users of LLM1 and 2 Subscription

Market\_Share of Users of LLM2 and 3 Subscription

Market\_Share of Users of LLM1 and 3 Subscription

Market\_Share of Users of LLM1, 2 and 3 Subscription

**Note:** Unlessotherwise stated that the users are not allowed for multiple subscriptions of different classes (e.g., 1 and 2 at the same time), then the above composition holds. If not allowed, then the intersections of the different revenue lines would be zero and invalid.

**Therefore, the breakdown would be as follows:**

Total LLM1 Subscribers = Market A\_Share of LLM1 Subscribers \* (total\_individual\_net\_users\_marketA) + Market B\_Share of LLM1 Subscribers \* (total\_individual\_net\_users\_marketB) + Market N\_Share of LLM1 Subscribers \* (total\_individual\_net\_users\_marketN)

Similarly, for LLM2, LLM3, LLM1 and LLM2, LLM2 and LLM3, and LLM1 – LLM 2 – and LLM3

* + If the user base was split across a single market e.g., Total User Base = Segment 1 + Segment 2 + Segment n, then apply the assumption as above but without the “Market\_” as it is the same market
  + **Note:** In case the entries had only period-on-period incremental users, then please make sure that the total user base is retained where period N users = period n-1 + net\_new\_periodN\_users
* **Step 2:** Breakdown the user base by plan tenure

For example, if the subscription has 4 plans: monthly, quarterly, semi-annual, and annual, then the expectation is to breakdown the user base by each

* + **Total LLM1 Subscribers\_Monthly:** Total LLM1 Subscribers \* Share LLM1\_monthly subs
  + **Total LLM1 Subscribers\_Quarterly:** Total LLM1 Subscribers \* Share LLM1\_quarterly subs
  + **Total LLM1 Subscribers\_SemiAnnual:** Total LLM1 Subscribers \* Share LLM1\_semiannual subs
  + **Total LLM1 Subscribers\_Annual:** Total LLM1 Subscribers \* Share LLM1\_annual subs

Note: this number of subscribers need to be profiled more to go to revenue calculation

* **Step 3:** For each of the plan tenure user base, we try to identify the normalized billing rate for the period. In other words, if we are having annual subscribers and we claim to have 1200 users on annual subscription for year 2025 as an example, this year of 2025 might not have all the 1000 users starting from January 2025, hence the actual billing rate would not be on the full 1000, but rather on a share of the 1000; this would come very critical if the modelling is in monthly, quarterly, or semi-annual.
  + For example, if we are having a quarterly model. If 100 users subscribe semi-annually on May – this is part of Q2. 6 months later, it would be in November, and that’s Q4; Nevertheless, there is the question of how much of those users subscribe again.

As such, the process here would be to

* + If the modelling period is annual, then retain step 2 as is
  + If the modelling period is semi-annual, then
    - Subscribers\_Monthly\_LLM1\_semi-annual\_1: **Total LLM1 Subscribers\_Monthly \* share of LLM1 subscribers\_semi-annual\_1**
    - Subscribers\_Monthly\_LLM1\_semi-annual\_2: **Total LLM1 Subscribers\_Monthly \* share of LLM1 subscribers\_semi-annual\_2**
    - **Note:** the subscribers LLM1 for monthly for semi-annual\_1 and semi-annual\_2 would add to the total of step 2.
  + On quarterly and monthly, then it goes four and twelve periods respectively

Then we take the above total subscribers and multiply them with an effective rate (e.g., some subscriptions might default or not be realized):

* + Net\_subscribers\_LLM1 = LLM1 subscribers \* effective\_rate, where the effective rate is a percentage assumption and is typically ranges between 85% and 95%.
* **Step 4: Identify the pricing rate for each subscription**. Typically, we factor here as well for pricing discounts in case anyone is doing any discounting to their services driven by seasons.
  + Example:
    - If a company provides discounts for 2 months by 25%, and the original price is USD100
    - Then, the actual price = [100 \* (12-discount\_months) + 100 \* (discount\_months) \* (100% - discount\_rate) ] / 12

Where discount\_months = 2 in the example above

Discount\_rate = 25% in the example above

Note: this above formula is for annual calculations. if the model is for semi-annual, quarterly, monthly, etc. then the discount for each period would be applied as necessary. In other words:

Semi-annual\_LLM1\_Price\_1 = [100 \* (6-discount\_months\_1) + 100 \* (discount\_months\_1) \* (100% - discount\_rate\_1)] / 12

Semi-annual\_ LLM1\_Price \_2 = [100 \* (6-discount\_months\_2) + 100 \* (discount\_months\_2) \* (100% - discount\_rate\_2)] / 12

* **Step 5:** Calculate the revenue for each product line
  + Multiply each of the above output of step 3 with the output of step 4 for each segment
* **Step 6:** Calculate other revenue based on the input of the user. The most common approaches seen to calculate other revenue include the following:
  + Other revenue as a share of total revenue from products:
    - If we had revenue of the products as following:
    - **Total revenue:** USD 2,700
    - **> Revenue Product 1:** USD 1,000
    - **> Revenue Product 2:** USD 900
    - **> Revenue Product n:** USD 800
    - Then other revenue = total revenue \* share other revenue
  + Other revenue as a return on available cash balance invested
    - This would depend on the cash balance to be developed with the cashflow statement and recorded on the balance sheet. It is typically calculated with the following formula.
    - Other revenue = total cash \* share of cash invested \* return on cash invested \*

Where total cash is the cash balance from the balance sheet current assets || share of cash invested is an assumption || return on cash balance invested is also an assumption

Note: in the absence of total revenue – it should be a note that the model to update when the cash balance is calculated in the cashflow statement

* + - It might also extend to some formulae like calculate a revenue for a small period of 3 months like outsourcing company services or trainings, etc. this to be calculated as per input.